

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 374 - SB 307

February 23, 2017

SUMMARY OF BILL: Expands the state and local sales tax exemptions for purchases of textbooks to include purchases of other reading material that is required for a course by any high school or other secondary or postsecondary educational institution, if purchased by a student who possesses a valid student identification card or other proof of enrollment in such institution and who possesses a valid, current course syllabus containing the name of the required reading material.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue – Net Impact – \$231,300

Decrease Local Revenue – Net Impact – \$94,400

Assumptions:

- According to the Department of Revenue, an estimated \$3,600,000 is spent each year in Tennessee on reading material that will be exempt from the state and local sales taxes pursuant to this bill.
- The current state sales tax rate is 7.0 percent; the average local option sales tax rate is estimated to be 2.5 percent; the effective rate of apportionment to local government pursuant to the state-shared allocation is estimated to be 3.617 percent.
- The net recurring decrease in state sales tax revenue is estimated to be \$242,885 $[(\$3,600,000 \times 7.0\%) - (\$3,600,000 \times 7.0\% \times 3.617\%)]$.
- The total recurring decrease in state sales tax revenue is estimated to be \$99,115 $[(\$3,600,000 \times 2.5\%) + (\$3,600,000 \times 7.0\% \times 3.617\%)]$.
- Fifty percent of tax savings, or \$171,000 $[(\$242,885 + \$99,115) \times 50.0\%]$, will be spent in the economy on other sales-taxable goods and services.
- The net recurring increase in state sales tax revenue is estimated to be \$11,537 $[(\$171,000 \times 7.0\%) - (\$171,000 \times 7.0\% \times 3.617\%)]$.
- The total recurring decrease in state sales tax revenue is estimated to be \$4,708 $[(\$171,000 \times 2.5\%) + (\$171,000 \times 7.0\% \times 3.617\%)]$.
- The net recurring decrease in state sales tax revenue as a result of this bill is estimated to be \$231,348 $(\$242,885 - \$11,537)$.

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- The net recurring decrease in local sales tax revenue as a result of this bill is estimated to be \$94,407 (\$99,115 - \$4,708).

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in dark ink that reads "Krista M. Lee". The signature is written in a cursive, flowing style.

Krista M. Lee, Executive Director

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